

CHAMORRO LAND TRUST COMMISSION

**(A GOVERNMENTAL FUND OF THE
GOVERNMENT OF GUAM)**

**FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT**

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

CHAMORRO LAND TRUST COMMISSION

Years Ended September 30, 2021 and 2020
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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Chamorro Land Trust Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the Chamorro Land Trust Commission (CLTC), which comprise the balance sheets as of September 30, 2021 and 2020, and the related statements of revenues, expenditures, and changes in fund balances for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the CLTC as of September 30, 2021 and 2020, and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Reporting Entity

As discussed in Note 1 to the financial statements, the financial statements referred to above present only the CLTC and are not intended to present fairly the financial position and results of operations of the Government of Guam in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 8 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

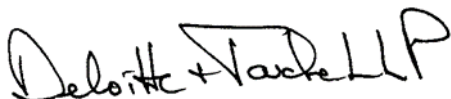
Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Other Supplementary Information, as set forth in Section IV of the foregoing table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The Other Supplementary Information is the responsibility of the CLTC's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The additional information on pages 20 through 23 has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The additional information on page 24 has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2022, on our consideration of the CLTC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CLTC's internal control over financing reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CLTC's internal control over financial reporting and compliance.



April 6, 2022

CHAMORRO LAND TRUST COMMISSION

Management's Discussion and Analysis
September 30, 2021 and 2020

INTRODUCTION

CHamoru Land Trust Commission (CLTC) is a governmental fund of the Government of Guam (GovGuam), currently located at 590 South Marine Corps Drive, Ste. 222, ITC Building, Tamuning, Guam 96913.

The CLTC was created through Public Law (PL) 12-226 and enacted as Chapter 75 of Title 21, Guam Code Annotated (GCA). CLTC's primary mission was to lease CHamoru Land Trust property to eligible beneficiaries as defined by PL 35-112. Although, the enactment of PL 35-112 and 21GCA75A, CLTC programs have been clearly distinguished as a land restoration program meant to rectify the unjust taking of CHamoru homelands by the United States federal government between 1898 and 1968.

On October 6, 2011, the Governor of Guam issued Reorganization Advisory No. 5, which was later superseded by Advisory No. 9, whereby the CLTC was merged into GovGuam's Department of Land Management (DLM) along with the Guam Ancestral Lands Commission (GALC). On January 16, 2019, the Governor of Guam issued Executive Order (EO) 2019-01 re-establishing the CLTC as a separate agency from DLM and the re-establishment of its Administrative Director position.

The CLTC's Management's Discussion and Analysis (MD&A) provides an overview of CLTC's financial activities for the fiscal years ended September 30, 2021 and 2020. The information enclosed in the MD&A has been prepared by management and it should be read in conjunction with the financial statements and notes which follow this section.

1. Financial Highlights

- Total assets exceeded total liabilities and deferred inflows of resources by \$3,205,228 as of September 30, 2021 as compared to \$3,227,715 at the end of the prior year.
- Total assets as of September 30, 2021 increased by \$27,564 (or 1%) as compared to September 30, 2020.
- Total liabilities and deferred inflows of resources as of September 30, 2021 increased by \$50,051 (or 7%) as compared to September 30, 2020.
- Total fund balance as of September 30, 2021 decreased by \$22,487 (or 1%) as compared to September 30, 2020.
- Total revenues of \$975,886 for the year ended September 30, 2021 decreased by \$213,207 (or 18%) as compared to \$1,189,093 for the prior year. Total expenditures of \$998,373 for the year ended September 30, 2021 decreased by \$27,126 (or 3%) as compared to \$1,025,499 for the prior year. This resulted in a decrease in fund balance of \$22,487 for the year ended September 30, 2021 as compared to an increase of \$163,594 for the prior year.

CHAMORRO LAND TRUST COMMISSION

Management's Discussion and Analysis, Continued
September 30, 2021 and 2020

2. Overview of the Financial Statements

The CLTC's financial statements include all of the activities of the CHamoru Land Trust Operations Fund, the CHamoru Loan Guarantee Fund, and CHamoru Land Trust Survey and Infrastructure Fund. The financial statements include a Balance Sheet as of September 30, 2021 and 2020 and a Statement of Revenues, Expenditures, and Changes in Fund Balance for the years then ended. Notes to the financial statements are additional information needed to provide further understanding of the basic financial statements.

3. Financial Statement Analysis

CLTC's Balance Sheets

The balance sheet discloses information on the CLTC's assets, liabilities and deferred inflows of resources, and fund balance at year-end. The condensed summary of the CLTC's balance sheets shown below as of September 30, 2021 as compared as of September 30, 2020 and 2019.

	2021	2020	Change	Total Percentage Change 2021-2020	2019
Assets:					
Cash and cash equivalents	\$ 2,097,029	\$ 2,423,356	\$ (326,327)	(13)%	\$ 2,234,298
Receivables, net	673,764	650,386	23,378	4%	624,724
Due from GovGuam	334,393	231,072	103,321	45%	301,352
Restricted assets	872,495	645,303	227,192	35%	641,348
Total assets	\$ 3,977,681	\$ 3,950,117	\$ 27,564	1%	\$ 3,801,722
Liabilities:					
Accrued payroll and other liabilities	\$ 17,683	\$ 8,595	\$ 9,088	106%	\$ 32,581
Total liabilities	17,683	8,595	9,088	106%	32,581
Deferred inflows of resources:					
Deferred revenues	754,770	713,807	40,963	6%	705,020
Total liabilities and deferred inflows of resources	772,453	722,402	50,051	7%	737,601
Fund balance:					
Restricted	872,495	645,303	227,192	35%	641,348
Committed	2,327,168	2,498,134	(170,966)	(7)%	2,402,402
Assigned	5,565	84,278	(78,713)	(93)%	20,371
	3,205,228	3,227,715	(22,487)	(1)%	3,064,121
Total liabilities, deferred inflows of resources and fund balance	\$ 3,977,681	\$ 3,950,117	\$ 27,564	1%	\$ 3,801,722

CHAMORRO LAND TRUST COMMISSION

Management's Discussion and Analysis, Continued
September 30, 2021 and 2020

3. Financial Statement Analysis, Continued

Total assets increased by \$27,564 (or 1%) in 2021 compared to 2020 primarily due to the increase in restricted cash and cash equivalents, receivables and GovGuam interfund receivables offset by a decrease in unrestricted cash and cash equivalents. Interfund receivable from GovGuam increased due to timing of settlement of interfund balances resulting from CLTC revenue collections and vendor payments recorded in GovGuam's General Fund.

Total liabilities and deferred inflows of resources increased by \$50,051 (or 7%) in 2021 compared to 2020 primarily due to the increase in accrued payroll liabilities and deferred revenues. The increase in deferred revenues is primarily due to the increase in lease revenues that do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting.

Total fund balance decreased by \$22,487 (or 1%) in 2021 compared to 2020 due to the difference between 2021 revenues earned and expenditures incurred compared to 2020.

CLTC's Statements of Revenues, Expenditures and Changes in Fund Balances

The statement of revenues, expenditures and changes in fund balance discloses information on the CLTC's revenues and expenditures for the year. The condensed summary of the CLTC's revenues and expenditures shown below for the year ended September 30, 2021 as compared with the years ended September 30, 2020 and 2019.

	2021	2020	Change	Total Percentage Change 2021-2020	2019
Revenues:					
Lease rentals	\$ 606,013	\$ 741,082	\$ (135,069)	(18)%	\$ 828,389
Royalties	194,646	229,855	(35,209)	(15)%	-
Payments in lieu of taxes	163,910	139,397	24,513	18%	147,635
Proceeds from sale of land	-	58,600	(58,600)	(100)%	250,300
Interest income and other	11,317	20,159	(8,842)	(44)%	14,209
Total revenues	975,886	1,189,093	(213,207)	(18)%	1,240,533
Expenditures:					
Salaries, wages and benefits	755,228	796,120	(40,892)	(5)%	721,619
Contractual services	89,396	67,069	22,327	33%	51,209
Building rent	124,390	124,390	-	0%	124,390
Miscellaneous and other	29,359	37,920	(8,561)	(23)%	47,083
Total expenditures	998,373	1,025,499	(27,126)	(3)%	944,301
 Net change in fund balance	 (22,487)	 163,594	 (186,081)	 (114)%	 296,232
Fund balance:					
Beginning of year	3,227,715	3,064,121	163,594	5%	2,767,889
Ending of year	\$ 3,205,228	\$ 3,227,715	\$ (22,487)	(1)%	\$ 3,064,121

CHAMORRO LAND TRUST COMMISSION

Management's Discussion and Analysis, Continued
September 30, 2021 and 2020

3. Financial Statement Analysis, Continued

Total revenues decreased by \$213,207 (or 18%) from \$1,189,093 in 2020 to \$975,886 in 2021. The decrease in revenues for 2021 was primarily due to the decrease in lease rental revenues, royalty payments and land sale proceeds. Lease rental revenues decreased by \$135,069 (or 18%) from \$741,082 in 2020 to \$606,013 in 2021 due to increased delinquency in collections from tenants. Royalty revenues decreased by \$35,209 (or 15%) from \$229,855 in 2020 to \$194,646 in 2021 due to a cease and desist order on quarrying activities issued by the CLTC. In 2020, the CLTC recognized land sale proceeds of \$58,600 whereby the CLTC sold one parcel of land located in the Municipality of Agana Heights. No land sales occurred in 2021.

Total expenditures decreased by \$27,126 (or 3%) from \$1,025,499 in 2020 to \$998,373 in 2021. The decrease in expenditures for 2021 was primarily due to a decrease in the CLTC operational costs, which is a direct continuing result of the Governor's EO 2019-01 re-establishing the CLTC as a separate agency from DLM and the re-establishment of its Administrative Director position.

Management's Discussion and Analysis for the year ended September 30, 2020 is set forth in CLTC's report on the audit of financial statements, which is dated March 29, 2021. That Management Discussion and Analysis explains the major factors impacting the 2020 financial statements and may be obtained from the information below.

4. Challenges and Accomplishments

The "Settlement Agreement between the United States of America and the Government of Guam" signed by the Governor of Guam and Chamoru Land Trust Commission (CLTC) on May 29, 2020 demonstrates that the CLTC program is a land restoration program intended to resolve the unjust taking of Chamoru homelands by the United States federal government between 1989 to 1968. Such would expand the program's eligible beneficiaries to include individuals and their descendants who owned land or who ranched, farmed, or otherwise occupied the land that was taken. In summary, the settlement agreement amended, modified, revised specific classifications, added specific sections, and changed the eligibility requirements. Any lease application that has not been processed prior to January 1, 2021 must now adhere to the eligibility requirements set forth in 21 GCA 75A to be an eligible beneficiary for CLTC's residential or agricultural programs.

The CLTC's land inventory consists of approximately 33% of GovGuam property. The transfer of administrative control was authorized through an administrative transfer in 1995. As of September 30, 2021, the CLTC land inventory totaled 11,666.88 acres. Of the total amount, 4,153.48 acres are located in the south; 1,601.45 acres in the central; and 5,911.95 acres are in the north. Furthermore, 3,274.98 acres of CLTC's total land inventory is unregistered property. As a result, the CLTC by law is prohibited from issuing any leases on unregistered property until a title of ownership is established through judicial land registration.

As of September 30, 2021, the CLTC had leased a combined total acreage of 3,046.49 acres for the residential and agricultural programs, which is an increase of 6.64 acres compared to 3,039.85 acres leased as of September 30, 2020. The increase is attributed to 6 new leases being executed. The CLTC's cumulative lease issuance total as of September 30, 2021 was 2,907, which is an increase of 6 compared to 2,901 as of September 30, 2020. The CLTC has placed a moratorium on the adjudication of all leases that have been deemed null and void by a legal opinion issued by the Office of the Attorney General on May 11, 2018. This is due to the fact that Legal Counsel has proposed additional Board authority that would resolve most, if not all, null and void leases.

CHAMORRO LAND TRUST COMMISSION

Management's Discussion and Analysis, Continued
September 30, 2021 and 2020

4. Challenges and Accomplishments, Continued

In FY2021, the CLTC issued one (1) Home Loan Guarantee. As of September 30, 2021, the CLTC's Home Loan Guarantee Program's contingent liability totaled \$10,378,793, which is a decrease of \$117,337 compared to \$10,496,130 as of September 30, 2020. The decrease is the net effect of a Home Loan being paid in full and on-time payments plus the issuance of a new Loan Guarantee. Also, during FY2021, no Home Loans were foreclosed due to nonpayment. The CLTC continues to keep an open dialogue with all lending institutions and agencies that are servicing the CLTC's Loan Guarantee Program. The CLTC does not foresee any potential defaults or foreclosures occurring due to the authority granted through the Chamoru Land Trust Act to "offer and reassign to the next qualified applicant the opportunity to assume any loan in default guaranteed by the Chamorro Loan Guarantee Fund."

The CLTC's commercial leasing program is conducted within the parameters of Public Law 33-95 also known as the Chamoru Land Trust Commercial Rules and Regulations. In FY2021, the CLTC did not issue any new commercial licenses/leases. The CLTC did extend one commercial license for one year and another for twenty-one (21) years as authorized in the license.

In addition to the leasing programs, the CLTC is accountable for several revolving and special funds. The revolving funds are known as the Beneficiary Home Loan Fund, the Beneficiary Commercial Loan Fund, and the Beneficiary Home Repair Fund. The special funds are known as the Beneficiary Home Development Fund, the Beneficiary Educational Assistance Fund, Beneficiary Land Trust Operation Fund, Beneficiary Loan Guarantee Fund and the Chamorro Land Trust Survey and Infrastructure Fund. As of September 30, 2021, the Beneficiary Home Loan Fund, the Beneficiary Commercial Loan Fund, the Beneficiary Home Repair Fund, the Beneficiary Home Development Fund, and the Beneficiary Educational Assistance Fund were classified as dormant and unfunded.

As of September 30, 2021, the CLTC's Board consisted of three (3) members and a staffing level of ten (11) employees tasked to perform the CLTC's mission, mandates, and day-to-day operations. The CLTC's staffing level decreased by one (1) compared to the staffing level of twelve (12) as of September 30, 2021. In addition to the requirements set forth in the Government of Guam Personnel Rules and Regulations for employment, the CLTC's Commissioners, Administrative Director, and employees are required, as part of the Settlement Agreement with the United States of America, within one hundred eighty (180) days after the effective date of the Settlement Agreement to attend an in-person education and training program on the requirements of the Fair Housing Act, including the prohibitions against discrimination based on race and national origin. Moreover, any newly appointed or recruited personnel will have thirty (30) days to complete the training.

A continuing challenge for the CLTC is the ability to provide a survey and installation of basic infrastructure to leased properties. As of September 30, 2021, the CLTC was unable to identify a sufficient funding source to conduct surveys and utility installations for leased properties. As a result, lessees have continued to pay for surveying and utility connection expenses. Another challenge is the timely remittance of funds. Currently, all revenues collected from the CLTC's revenue generating activities are received by the Treasurer of Guam. As result, the revenues become a part of GovGuam's daily cash flow. What has occurred in the past is that revenue collections were not remitted to the respective funds and were instead recorded as a receivable from GovGuam. Due to the economic conditions and the financial condition of GovGuam as of September 30, 2017, the CLTC had to apply the standards of GASB 34 Pronouncement, which resulted in a permanent transfer being recorded due to the inability of the General Fund to pay and the CLTC to collect. As of September 30, 2021, the CLTC reported a \$334,393 due from GovGuam.

CHAMORRO LAND TRUST COMMISSION

Management's Discussion and Analysis, Continued
September 30, 2021 and 2020

5. Outlook

The CLTC Board of Commissioners and Administrative Director will collaboratively work with the Administration to pursue and obtain federal grant assistance to pay for the cost of installing the basic infrastructure needs of leased properties. Furthermore, the Board and Administrative Director will continue to move in the direction of commencing the lease award process of the residential and agriculture programs.

Contacting the CHamoru Land Trust Commission Financial Management

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the CLTC's finances and to show the CLTC's accountability and transparency for the money it receives. Questions concerning any of the information provided in this report or request for additional information should contact Angela Camacho, Acting Administrative Director at (671) 649-5263 ext. 815 or email angela.camacho@cltc.guam.gov.

CHAMORRO LAND TRUST COMMISSION

Balance Sheets
September 30, 2021 and 2020

	2021	2020
<u>ASSETS</u>		
Cash and cash equivalents	\$ 2,097,029	\$ 2,423,356
Receivables, net:		
Commercial	639,988	616,610
Other	33,776	33,776
Due from GovGuam	334,393	231,072
Restricted assets:		
Cash and cash equivalents	572,495	345,303
Time certificates of deposit	300,000	300,000
Total assets	\$ 3,977,681	\$ 3,950,117
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>		
Liabilities:		
Accrued payroll and other liabilities	\$ 17,683	\$ 8,595
Deferred inflows of resources:		
Deferred revenues	754,770	713,807
Total liabilities and deferred inflows of resources	772,453	722,402
Commitments and contingencies		
Fund balance:		
Restricted	872,495	645,303
Committed	2,327,168	2,498,134
Assigned	5,565	84,278
Total fund balance	3,205,228	3,227,715
Total liabilities, deferred inflows of resources and fund balance	\$ 3,977,681	\$ 3,950,117

See accompanying notes to financial statements.

CHAMORRO LAND TRUST COMMISSION

Statements of Revenues, Expenditures, and Changes in Fund Balances
Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenues:		
Lease rentals:		
Commercial	\$ 603,755	\$ 738,406
Agricultural and residential	2,258	2,676
Royalties	194,646	229,855
Payment in lieu of real property taxes	163,910	139,397
Collections from Land for the Landless program	9,420	15,029
Interest income	1,147	4,030
Land trust application fees	750	1,100
Proceeds from sale of land	-	58,600
	<u>975,886</u>	<u>1,189,093</u>
Total revenues		
Expenditures:		
Salaries and wages - regular	526,591	574,887
Salaries and wages - fringe benefits	147,512	165,713
Building rent	124,390	124,390
Contractual services	89,396	67,069
Health benefits	81,125	55,520
Capital outlay	4,963	-
Communications	4,667	4,640
Supplies	2,674	4,645
Miscellaneous	17,055	28,635
	<u>998,373</u>	<u>1,025,499</u>
Total expenditures		
Net change in fund balances	(22,487)	163,594
Fund balances at beginning of year	<u>3,227,715</u>	<u>3,064,121</u>
Fund balances at end of year	\$ <u><u>3,205,228</u></u>	\$ <u><u>3,227,715</u></u>

See accompanying notes to financial statements.

CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements
September 30, 2021 and 2020

(1) Organization

The Chamorro Land Trust Commission (CLTC), a governmental fund of the Government of Guam (GovGuam), was established by the Chamorro Land Trust Act of 1975 (Public Law 12-226) for the purpose of protecting and ensuring trust lands are awarded to eligible beneficiaries through residential, agricultural, and commercial leases. The CLTC is responsible for the disposition of Chamorro Homelands pursuant to mandates to advance the social, cultural and economic development and well-being of the Chamorro people.

The accompanying financial statements relate solely to those accounting records maintained by the CLTC, and do not incorporate any accounts related to other departments or agencies within GovGuam.

The CLTC is governed by a five-member Board of Commissioners appointed by the Governor of Guam.

In 2011, the Governor of Guam issued Reorganization Advisory No. 5, which was later superseded by Advisory No. 9, whereby the CLTC was merged into the GovGuam Department of Land Management along with the Guam Ancestral Lands Commission. In 2019, the Governor of Guam issued Executive Order 2019-01 re-establishing the CLTC as a separate agency from DLM and the re-establishment of the CLTC Administrative Director position.

(2) Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the CLTC's accounting policies are described below:

Measurement Focus and Basis of Accounting

The CLTC reports its financial position and the results of operations in governmental funds. A fund is a separate accounting entity with a self-balancing set of accounts. They are concerned only with the measurement of financial position and are not involved with measurement of results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds).

The special revenue funds currently reported by the CLTC are as follows:

- The Chamorro Land Trust Operations Fund - this fund was created for the purpose of accounting for the receipt of all land use permits, monetary contributions and fees and for the payment of operational expenses associated with the CLTC.
- The Chamorro Loan Guarantee Fund - this fund was created for the purpose of accounting for applicable taxes on Chamorro Homelands collected by the GovGuam Department of Revenue and Taxation earmarked for loan guarantees issued by governmental agencies or lending institutions to eligible borrowers holding leases or licenses of Chamorro Homelands. During the years ended September 30, 2021 and 2020, the GovGuam Department of Revenue and Taxation collected \$163,910 and \$139,397, respectively, in real property taxes associated with Chamorro Homelands.

CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements
September 30, 2021 and 2020

(2) Summary of Significant Accounting Policies, Continued

Measurement Focus and Basis of Accounting, Continued

- The Chamorro Land Trust Survey and Infrastructure Fund - this fund was created for the purpose of accounting for the receipt of all proceeds from the sale of bull cart trails and land remnants and proceeds from the sale of land under the *Land for the Landless* program that will be used solely for the surveying of CLTC land and for the operational needs in support thereof. In 2015, the CLTC commenced collection of outstanding receivables from the Land for the Landless program as stipulated by Public Law 33-104. The law requires funds collected shall be deposited into the Chamorro Land Trust Survey and Infrastructure Fund. During the years ended September 30, 2021 and 2020, the CLTC collected \$9,420 and \$15,029, respectively, including interest charged, from the outstanding balances.

Basis of Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included in the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the CLTC considers revenues to be available if they are collected within 90 days of the end of the current fiscal period.

Significant revenues susceptible to accrual include revenue received from residential, agricultural, and commercial leases. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred.

Cash and Time Certificates of Deposit

The CLTC has the power and authority to invest and re-invest any of the money in any of its funds, not otherwise immediately needed for the purposes of the funds in such bonds and securities authorized in 5 GCA Chapter 21, *Investments and Deposits*. Custodial credit risk is the risk that in the event of a bank failure, the CLTC's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. The CLTC does not have a deposit policy for custodial credit risk.

For the purposes of the balance sheets, cash is defined as cash in checking and savings accounts. Deposits maintained in time certificates of deposit with original maturity dates greater than three months are separately classified on the balance sheets. As of September 30, 2021 and 2020, the carrying amount and corresponding bank balances of the CLTC's cash and time certificates of deposit were \$2,969,524 and \$3,068,659, respectively. Bank balances are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2021 and 2020, bank deposits in the amount of \$250,000 were FDIC insured.

CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements
September 30, 2021 and 2020

(2) Summary of Significant Accounting Policies, Continued

Cash and Time Certificates of Deposit, Continued

In accordance with 5 GCA 21, *Investments and Deposits*, the CLTC requires collateralization of deposits in excess of depository insurance limits in an amount in value at least ten percent in excess of the amount of monies deposited with the financial institution. Such collateralization shall be in securities in U.S. treasury notes or bonds or in U.S. government agencies for which the faith and credit of the United States are pledged for the payment of principal and interest; evidence of indebtedness of GovGuam; investment certificates of the Federal Home Loan Bank; or such other securities as may be approved by the Director of Administration and the Governor of Guam. As of September 30, 2021 and 2020, substantially all of the CLTC's bank deposits in excess of depository insurance limits are collateralized with securities held by the pledging financial institution but not in the CLTC's name.

Receivables

Receivables are due from individuals and businesses residing on the island of Guam and are uncollateralized and non-interest bearing. The allowance for doubtful accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience.

Interfund Receivables

During the course of CLTC operations, the GovGuam General Fund records transactions between individual funds for goods provided or services rendered. These balances result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made, and are scheduled to be collected in the subsequent year.

Deferred Inflows of Resources

In the governmental fund financial statements, deferred inflows of resources consist of unavailable base and participation rent revenues, which is revenue that does not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting.

Fund Balance

Governmental fund balances are classified as follows:

- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and do not lapse at year-end.
- Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.

Restricted/committed amounts are spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit from doing this. In addition, committed, then assigned amounts of unrestricted fund balance are expended in that order. A formal minimum fund balance policy has not been adopted.

CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements
September 30, 2021 and 2020

(2) Summary of Significant Accounting Policies, Continued

Management Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Encumbrances

The CLTC utilizes encumbrance accounting to identify fund obligations. Encumbrances represent commitments related to unperformed contracts for goods. As of September 30, 2021 and 2020, the CLTC has encumbrances of \$5,565 and \$84,278, respectively.

New Accounting Standards

During the year ended September 30, 2021, the CLTC implemented the following pronouncements:

- GASB Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.
- GASB Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units.
- GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments. The provision removing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of derivative instruments is effective for the year ended September 30, 2022.

The implementation of these statements did not have a material effect on the accompanying financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management believes that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for fiscal year ending September 30, 2022.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for fiscal year ending September 30, 2022.

CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements
September 30, 2021 and 2020

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

In January 2020, GASB issued statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. In accordance with GASB Statement No. 95, the remaining requirements of GASB Statement No. 92 is effective for the fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements
September 30, 2021 and 2020

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 98 will be effective for fiscal year ending September 30, 2022.

(3) Risk Management

The CLTC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the CLTC not to purchase commercial insurance for the risks of loss to which it is exposed. Instead, CLTC management believes it is more economical to manage its risks internally. In the event of claim settlements and judgments, the CLTC reports all of its risk management activities in the Chamorro Land Trust Operations Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. No losses have occurred as a result of these policies in any of the past three fiscal years.

(4) Receivables

Receivables as of September 30, 2021 and 2020, including the applicable allowance for uncollectible accounts, are as follows:

	<u>2021</u>	<u>2020</u>
Receivables:		
Commercial lease	\$ 1,535,865	\$ 1,159,730
Others	<u>33,776</u>	<u>33,776</u>
	1,569,641	1,193,506
Less allowance for uncollectible accounts	<u>(895,877)</u>	<u>(543,120)</u>
	\$ <u>673,764</u>	\$ <u>650,386</u>

CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements
September 30, 2021 and 2020

(5) Restricted Assets

The CLTC maintains a savings deposit and time certificates of deposit as of September 30, 2021 and 2020 in the amount of \$872,495 and \$645,303, respectively, restricted to collateralize low-income housing loans funded by Rural Housing Service (RHS) through the Guam Housing Corporation. The Memorandum of Understanding signed with the RHS requires the CLTC to create and maintain an escrow account with an initial deposit of \$500,000. If the account falls below \$500,000, the CLTC shall deposit in the escrow account 5% of all RHS loans issued until such time that the account has reached \$500,000. No losses have occurred as a result of this collateralization arrangement in any of the past three fiscal years.

(6) Related Party Transactions

The CLTC is a governmental fund of GovGuam and is therefore affiliated with all GovGuam-owned and affiliated entities, including all departments and agencies of GovGuam, the Guam Housing Corporation and the University of Guam.

Certain developed land supported by a valid lease is held as investments in land and other real estate within a permanent fund of GovGuam. Such investment is recorded at fair value whereas other undeveloped land not supported by a lease is reported at historical cost. As of September 30, 2021 and 2020, such land is valued at \$454,131,585 and \$453,106,926, respectively, of which \$445,468,993 and \$444,444,334, is held by the CLTC. Fair value is based on estimated current value (primarily assessed real estate property tax valuations) and appraisals. Investments that do not have an established market are reported at estimated fair value. Earnings from leases associated with these investments are reported as revenues of the CLTC.

During the year ended September 30, 2020, the CLTC transferred 1.5 acres of land property to the University of Guam in accordance with Public Law 35-43.

(7) Sale of Land

During the year ended September 30, 2020, the CLTC recognized proceeds from the sale of land of \$58,600. The Guam Legislature authorized the sale of various lots in accordance with Public Laws 34-164, 34-163, 34-153, 34-134 and 34-94 for the average fair market value as determined by two independent licensed real estate appraisers. Proceeds realized from the sale of land were authorized to be deposited into the account of the CLTC.

(8) Significant Customers

The CLTC generates revenues from certain major customers that exceed 10 percent or more of the CLTC's total revenues. During the years ended September 30, 2021 and 2020, the CLTC recognized revenues from two customers that represented approximately 74% of total revenues.

CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements
September 30, 2021 and 2020

(9) Commitments

The CLTC has entered into agreements with various licensees for the use of trust lands for commercial, agricultural and residential purposes. The future minimum lease receipts under the remainder of these licensing agreements are as follows:

<u>Year Ending</u> <u>September 30,</u>	
2022	\$ 837,628
2023	790,277
2024	775,788
2025	790,771
2026	764,478
2027 - 2031	3,863,901
2032 - 2036	3,338,306
2037 - 2041	1,310,125
2042 - 2046	18,005
2047	<u>1,801</u>
	<u>\$ 12,491,080</u>

(10) Contingencies

Loan Guarantee

The CLTC is authorized to loan or guarantee the repayment of or otherwise underwrite any authorized loan to a Chamorro homeland lessee up to a maximum amount not to exceed the financial ability of the borrower. In the event of default, these loan guarantees may shift the lender's default risk entirely to the CLTC whereby the lender may call upon the CLTC to make partial or full payment of the guaranteed loan. As of September 30, 2021, the CLTC has guaranteed loans totaling \$10,378,793 for Chamorro homeland residential lessees. CLTC management is of the opinion that defaulted loans may be reassigned and that the CLTC has substantial defenses available to it in the event of litigation. As a result, at this time, management does not believe that material exposure exists related to this event. Therefore, no provision for a liability that may arise from this matter has been made in the accompanying financial statements. No losses have occurred as a result of this collateralization arrangement in any of the past three fiscal years.

Lawsuit and Claims

In 2017, the U.S. Department of Justice (DOJ) informed GovGuam through a letter that the DOJ has completed its investigation and has authorized the filing of a complaint in federal district court against GovGuam, the CLTC, and the CLTC's Administrative Director. The complaint will allege that GovGuam, through the CLTC and the Administrative Director, denied a dwelling to a person or persons because of race or national origin; discriminated in the terms, conditions, or privileges of sale or rental of dwellings, and/or in the provision of services or facilities in connection therewith because of race or national origin; and made statements and advertisements with respect to the rental of a dwelling that indicate a preference, limitation or discrimination based on race or national origin in violation of the FHA, 42 U.S.C. §§ 3604 (a), (b), (c). The complaint will also allege that the defendants discriminated because of race or national origin in making available, or in the term or conditions of, residential real estate related transactions in violation of the Fair Housing Act, 42 U.S.C. § 3605 (a).

CHAMORRO LAND TRUST COMMISSION

Notes to Financial Statements
September 30, 2021 and 2020

(10) Contingencies, Continued

Lawsuit and Claims, Continued

In 2019, the CLTC Board of Commissioners unanimously approved a settlement agreement with the DOJ to settle and avoid going to trial as detailed in the CLTC Resolution No. 2019-08. On June 4, 2020, a settlement agreement was entered into by the CLTC with the DOJ and GovGuam. On the same date, a joint motion to dismiss the case was filed and signed by the CLTC, the DOJ and GovGuam pursuant to the agreement. Management is of the opinion that the settlement and dismissal of the case has no financial impact on the financial statements of the CLTC.

Litigation

CLTC is party to certain legal proceedings arising from governmental operations; however, the Attorney General of Guam is unable to assess the likelihood of potential liabilities related to claims outstanding as of September 30, 2021. Hence, it is not possible to predict a reasonable estimation of these claims and, therefore, no provision for any liability that may result has been made in the accompanying financial statements.

CHAMORRO LAND TRUST COMMISSION

Combining Balance Sheet
September 30, 2021

	Chamorro Land Trust Operations Fund	Chamorro Loan Guarantee Fund	Chamorro Land Trust Survey and Infrastructure Fund	Combined Total	Eliminations	Total
<u>ASSETS</u>						
Cash and cash equivalents	\$ 2,096,362	\$ -	\$ 667	\$ 2,097,029	\$ -	\$ 2,097,029
Receivables:						
Commercial	628,882	5,550	5,556	639,988	-	639,988
Other	33,776	-	-	33,776	-	33,776
Due from GovGuam	-	224,899	247,216	472,115	(137,722)	334,393
Restricted assets:						
Cash and cash equivalents	-	572,495	-	572,495	-	572,495
Time certificates of deposit	-	300,000	-	300,000	-	300,000
Total assets	\$ <u>2,759,020</u>	\$ <u>1,102,944</u>	\$ <u>253,439</u>	\$ <u>4,115,403</u>	\$ <u>(137,722)</u>	\$ <u>3,977,681</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>						
Liabilities:						
Accrued payroll and other liabilities	\$ 7,612	\$ -	\$ 10,071	\$ 17,683	\$ -	\$ 17,683
Due to GovGuam	136,542	-	1,180	137,722	(137,722)	-
Total liabilities	144,154	-	11,251	155,405	(137,722)	17,683
Deferred inflows of resources:						
Deferred revenues	748,440	3,539	2,791	754,770	-	754,770
Total liabilities and deferred inflows of resources	892,594	3,539	14,042	910,175	(137,722)	772,453
Fund balance:						
Restricted	-	872,495	-	872,495	-	872,495
Committed	1,860,861	226,910	239,397	2,327,168	-	2,327,168
Assigned	5,565	-	-	5,565	-	5,565
Total fund balance	1,866,426	1,099,405	239,397	3,205,228	-	3,205,228
Total liabilities and fund balance	\$ <u>2,759,020</u>	\$ <u>1,102,944</u>	\$ <u>253,439</u>	\$ <u>4,115,403</u>	\$ <u>(137,722)</u>	\$ <u>3,977,681</u>

See Accompanying Independent Auditors' Report.

CHAMORRO LAND TRUST COMMISSION

Combining Balance Sheet
September 30, 2020

	<u>Chamorro Land Trust Operations Fund</u>	<u>Chamorro Loan Guarantee Fund</u>	<u>Chamorro Land Trust Survey and Infrastructure Fund</u>	<u>Combined Total</u>	<u>Eliminations</u>	<u>Total</u>
<u>ASSETS</u>						
Cash and cash equivalents	\$ 2,422,689	\$ -	\$ 667	\$ 2,423,356	\$ -	\$ 2,423,356
Receivables:						
Commercial	609,597	2,415	4,598	616,610	-	616,610
Other	33,776	-	-	33,776	-	33,776
Due from GovGuam	-	290,804	366,687	657,491	(426,419)	231,072
Restricted assets:						
Cash and cash equivalents	-	345,303	-	345,303	-	345,303
Time certificates of deposit	-	300,000	-	300,000	-	300,000
Total assets	<u>\$ 3,066,062</u>	<u>\$ 938,522</u>	<u>\$ 371,952</u>	<u>\$ 4,376,536</u>	<u>\$ (426,419)</u>	<u>\$ 3,950,117</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>						
Liabilities:						
Accrued payroll and other liabilities	\$ 8,595	\$ -	\$ -	\$ 8,595	\$ -	\$ 8,595
Due to GovGuam	<u>426,419</u>	<u>-</u>	<u>-</u>	<u>426,419</u>	<u>(426,419)</u>	<u>-</u>
Total liabilities	<u>435,014</u>	<u>-</u>	<u>-</u>	<u>435,014</u>	<u>(426,419)</u>	<u>8,595</u>
Deferred inflows of resources:						
Deferred revenues	<u>707,707</u>	<u>2,877</u>	<u>3,223</u>	<u>713,807</u>	<u>-</u>	<u>713,807</u>
Total liabilities and deferred inflows of resources	<u>1,142,721</u>	<u>2,877</u>	<u>3,223</u>	<u>1,148,821</u>	<u>(426,419)</u>	<u>722,402</u>
Fund balance:						
Restricted	-	645,303	-	645,303	-	645,303
Committed	1,839,063	290,342	368,729	2,498,134	-	2,498,134
Assigned	<u>84,278</u>	<u>-</u>	<u>-</u>	<u>84,278</u>	<u>-</u>	<u>84,278</u>
Total fund balance	<u>1,923,341</u>	<u>935,645</u>	<u>368,729</u>	<u>3,227,715</u>	<u>-</u>	<u>3,227,715</u>
Total liabilities and fund balance	<u>\$ 3,066,062</u>	<u>\$ 938,522</u>	<u>\$ 371,952</u>	<u>\$ 4,376,536</u>	<u>\$ (426,419)</u>	<u>\$ 3,950,117</u>

See Accompanying Independent Auditors' Report.

CHAMORRO LAND TRUST COMMISSION

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended September 30, 2021

	Chamorro Land Trust Operations Fund	Chamorro Loan Guarantee Fund	Chamorro Land Trust Survey and Infrastructure Fund	Total
Revenues:				
Lease rentals:				
Commercial	\$ 591,865	\$ -	\$ 11,890	\$ 603,755
Agricultural and residential	-	-	2,258	2,258
Royalties	194,646	-	-	194,646
Collections from Land for the				
Landless program	-	-	9,420	9,420
Payments in lieu of real property taxes	-	163,910	-	163,910
Land trust application fees	750	-	-	750
Interest income	726	421	-	1,147
	<u>787,987</u>	<u>164,331</u>	<u>23,568</u>	<u>975,886</u>
Total revenues				
Expenditures:				
Salaries and wages - regular	422,653	-	103,938	526,591
Salaries and wages - fringe benefits	105,270	-	42,242	147,512
Health benefits	81,125	-	-	81,125
Contractual services	89,246	-	150	89,396
Building rent	124,390	-	-	124,390
Supplies	1,165	-	1,509	2,674
Capital outlays	-	-	4,963	4,963
Communications	4,667	-	-	4,667
Miscellaneous	16,386	571	98	17,055
	<u>844,902</u>	<u>571</u>	<u>152,900</u>	<u>998,373</u>
Total expenditures				
Net change in fund balances	(56,915)	163,760	(129,332)	(22,487)
Fund balances at beginning of year	<u>1,923,341</u>	<u>935,645</u>	<u>368,729</u>	<u>3,227,715</u>
Fund balances at end of year	\$ <u>1,866,426</u>	\$ <u>1,099,405</u>	\$ <u>239,397</u>	\$ <u>3,205,228</u>

See Accompanying Independent Auditors' Report.

CHAMORRO LAND TRUST COMMISSION

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended September 30, 2020

	Chamorro Land Trust Operations Fund	Chamorro Loan Guarantee Fund	Chamorro Land Trust Survey and Infrastructure Fund	Total
Revenues:				
Lease rentals:				
Commercial	\$ 727,906	\$ -	\$ 10,500	\$ 738,406
Agricultural and residential	-	-	2,676	2,676
Royalties	229,855	-	-	229,855
Proceeds from sale of land	-	-	58,600	58,600
Collections from Land for the Landless program	-	-	15,029	15,029
Payments in lieu of real property taxes	-	139,397	-	139,397
Land trust application fees	1,100	-	-	1,100
Interest income	2,605	723	702	4,030
	<u>961,466</u>	<u>140,120</u>	<u>87,507</u>	<u>1,189,093</u>
Expenditures:				
Salaries and wages - regular	574,887	-	-	574,887
Salaries and wages - fringe benefits	165,713	-	-	165,713
Health benefits	55,520	-	-	55,520
Contractual services	67,069	-	-	67,069
Building rent	124,390	-	-	124,390
Supplies	4,645	-	-	4,645
Communications	4,640	-	-	4,640
Miscellaneous	28,635	-	-	28,635
	<u>1,025,499</u>	<u>-</u>	<u>-</u>	<u>1,025,499</u>
Net change in fund balances	(64,033)	140,120	87,507	163,594
Fund balances at beginning of year	<u>1,987,374</u>	<u>795,525</u>	<u>281,222</u>	<u>3,064,121</u>
Fund balances at end of year	\$ <u>1,923,341</u>	\$ <u>935,645</u>	\$ <u>368,729</u>	\$ <u>3,227,715</u>

See Accompanying Independent Auditors' Report.

CHAMORRO LAND TRUST COMMISSION

Supplemental Schedule of Employees and Salaries
Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Salaries and wages - regular	\$ <u>526,591</u>	\$ <u>574,887</u>
Number of employees:		
Administrator Director	1	1
Land Agents	7	7
Records Management	-	1
Other Administrative Staff	2	1
Engineering Technician	<u>1</u>	<u>2</u>
Total number of employees	<u>11</u>	<u>12</u>

See Accompanying Independent Auditors' Report.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Chamorro Land Trust Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Chamorro Land Trust Commission (CLTC), which comprise the balance sheet as of September 30, 2021, and the related statement of revenues, expenditures and changes in fund balance for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 6, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CLTC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CLTC's internal control. Accordingly, we do not express an opinion on the effectiveness of the CLTC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be significant deficiencies. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2021-01 that we consider to be a material weakness.

Compliance and Other Matters

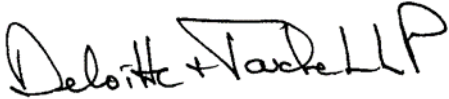
As part of obtaining reasonable assurance about whether the CLTC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

CLTC's Response to the Finding

CLTC's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. CLTC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Deloitte + Stack LLP". The signature is written in a cursive, stylized font.

April 6, 2022

CHAMORRO LAND TRUST COMMISSION

Schedule of Findings and Responses Year Ended September 30, 2021

Finding No. 2021-01 - Coral Extraction Royalties

Criteria: Monitoring and documentation of coral extraction royalties is critical to maximizing CLTC cash flows and property utilization.

Condition: During the year ended September 30, 2021, the CLTC recorded coral extraction royalties of \$194,646 from a construction company for mining activities on CLTC property. These revenues were not evidenced by an underlying agreement between the CLTC and/or lessee and the construction company documenting the rates upon which royalties collected and billed were based. A memo was provided to the lessee dated August 8, 2011, indicating the rate of \$0.75 per cubic yard approved by the Board of Commissioners. However, the CLTC billed \$1.00 per cubic yard reported by the construction company. No documentation of the rate increase was provided. In addition, evidence of the CLTC's verification of actual coral extracted and reported by the construction company was not provided.

Cause: The cause of the above condition is the lack of adequate internal control policies requiring verification, monitoring and documentation of coral extraction royalties.

Effect: The effect of the above condition is the possibility of monetary loss and inaccurate financial statements.

Recommendation: We recommend that the CLTC establish policies and procedures requiring the verification of actual coral extracted, and adequate documentation of underlying agreements between the parties regarding terms and conditions and the rate per cubic yard extracted.

Prior Year Status: The lack of policies and procedures over coral extraction activities was reported as a finding in the audit of the CLTC for fiscal year 2020.

Auditee Response and Corrective Action Plan: CLTC and the licensee who is operating on a "Right of Entry" agreed that a topographical survey be conducted at the licensee's expense at the beginning and ending of the approved area for the Coral Extraction activities. CLTC did not receive the initial topographical survey in a reasonable time frame and discovered that the licensee had conducted Coral Extraction activities outside of the approved area. CLTC immediately issued a Cease and Desist Order for all Coral Extraction activities. Upon issuance of the Cease and Desist there have been site inspections conducted to ensure that all activity has been halted.

CHAMORRO LAND TRUST COMMISSION

Unresolved Prior Audit Findings
Year Ended September 30, 2021

The status of unresolved prior year findings is discussed within the Schedule of Findings and Responses section of this report.